

## Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 /014 W

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R 231314Z APR 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5361

INFO AMEMBASSY MONTEVIDEO

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E.O. 11652: N/A

TAGS: BENC, AR

SUBJECT: MAJOR PROJECT: SALTO GRANDE POWER

REF: (A) STATE 087721, (B) 75 BUENOS AIRES A-233

1. SALTO GRANDE PROJECT IS ON SCHEDULE SO FAR. CONSTRUCTIONS

AND CIVIL WORKS BEGAN IN APRIL 74 AND SHOULD BE COMPLETED BY APRIL 79. DELAYS ARE ANTICIPATED IN THE FUTURE BECAUSE THE PRODUCTION SCHEDULE FOR THE TURBO-GENERATOR GROUPS BY THE SOVIETS IS NOW MANY MONTHS BEHIND SCHEDULE.

2. CONTRACTORS HAVE HAD PROBLEMS IN GETTING PAID ON TIME OVER THE PAST 12 MONTHS. BOTH ENGINEERING CONSULTANTS (CHARLES T. MAIN OF BOSTON) AND CIVIL WORKS CONTRACTORS, ITALIAN FIRM IMPREGILIO, HAVE BEEN CLOSE TO POINT OF STOPPING WORK ON PROJECT BECAUSE OF DELAYS IN MAKING CONTRACT PAYMENT TO THEM. THESE DELAYS HAVE BEEN DUE IN LARGE MEASURE TO THE UNSETTLED STATE OF ARGENTINE DOMESTIC FINANCES AND ARGENTINA'S BALANCE OF PAYMENTS CRISIS. THESE PROBLEMS SEEM TO HAVE BEEN TEMPORARILY RESOLVED WITH THE INTERVENTION AND ASSISTANCE OF THE LOCAL IDB OFFICE (IDB IS FINANCING DOLLAR COMPONENT OF CIVIL WORKS).

3. ADDITIONALLY US CONSULTING ENGINEERS HAVE HAD CONTINUOUS PROBLEMS WITH THE CLIENT, COMISION TECNICA MIXTA

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(CTM). IN PART THIS HAS NO DOUBT BEEN DUE TO INEXPERIENCE

OF CLIENT IN WORKS OF THIS MAGNITUDE. BUT BOTH MAIN AND THIS EMBASSY BELIEVE IT HAS BEEN IN GOOD MEASURE DUE TO HOSTILITY OF CERTAIN MEMBERS OF ARGENTINE CTM DELEGATION TOWARDS MAIN. ONLY RATIONALE WE CAN THINK OF TO EXPLAIN THIS ATTITUDE IS IDEOLOGICAL. SEVERAL ARGENTINE DELEGATES MAY BE ILL DISPOSED TOWARDS US.

4. THE ONLY REMAINING WORK TO BE TENDERED INTERNATIONALLY IS THE NAVIGATION LOCK SYSTEM. OUR REPORT ON THIS POTENTIAL TRADE OPPORTUNITY (SEE REFERENCE B) REMAINS VALID. THE CHANGE IN GOVERNMENT ON MARCH 24 WILL UNDOUBTEDLY BRING CHANGES ON THE ARGENTINE SIDE OF THE COMISION TENICA MIXTA (CTM). WE UNDERSTAND, HOWEVER, THAT HEAD OF ARGENTINA DELEGATION, FELIX HERRERO, AND EXECUTIVE DIRECTOR LUDOVICO IVANESEVICH HAVE BEEN ASKED TO STAY ON FOR THE TIME BEING. OTHER DELEGATES HAVE RESIGNED.

5. LAST MAJOR BID CONTEST FOR TRANSFORMERS JUST AWARDED TO JAPANESE WHO HAD BOTH BETTER PRICE AND BETTER FINANCING OFFER THAN US FIRMS. (US FINANCING OFFER WAS LEAST COMPETITIVE OF THE HALF DOZEN OFFERS RECEIVED).  
HILL

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